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## Chile—President-Elect, Mr. Gabriel Boric, Unveiled New Cabinet

- Chile's President-elect, Mr. Gabriel Boric, unveiled his new Cabinet.
- Moderates represent close to a third of the new cabinet, a new sign of political and economic pragmatism.
- Current Governor of the Central Bank, Mr. Mario Marcel, appointed as Minister of Finance.

### MODERATES REPRESENT CLOSE TO 30% OF THE CABINET—A NEW SIGN OF POLITICAL AND ECONOMIC PRAGMATISM

On Friday, January 21, Chile's President-elect, Gabriel Boric, unveiled his Cabinet which includes 24 ministers (table 1). Our first reactions on various relevant aspects of this Cabinet and its implications are below:

**Mr. Mario Marcel was appointed to the Ministry of Finance.** Mr. Marcel is aligned with an ideology of change, always based on fiscal responsibility and gradual change, as Mr. Boric insisted in his recent speech before the business community. His name further gives a sign of stability to the markets, since investors perceive him as a stalwart of responsible economic management. Mr. Mario Marcel (62) is the current Governor of the Central Bank, whose mandate was extended by President Piñera in October.

- Mr. Marcel worked for the Government of Chile for 13 years, spanning senior positions with the Ministry of Finance including as Deputy Director of Rationalization and Public Function in the Budget Division, Executive Secretary for the Inter-Ministerial Committee for the Modernization of Public Administration, Chair of the General Government's Internal Audit Committee and Chair of the Presidential Advisory Committee on Pension Reform. He was the Budget Director from 2000 to 2006, during which time he implemented deep reforms in the conduct of fiscal policy, government asset and liability management, the budget system and public administration. He has also worked as a researcher for the Center for Latin American Studies.
- His academic experience includes teaching and research at universities in Chile and the United Kingdom. He has also worked as a project consultant for a wide range of international and government organizations in countries such as Mexico, Colombia, Peru and Vietnam. Mr. Marcel is the author of over 80 published works in economics, finance, policy, and public administration and he holds an MA in economics from Cambridge University.
- In the context of the pandemic, Mr. Marcel was critical of pension fund withdrawals and supported the Central Bank's autonomy as Chile drafts a new constitution. We see Marcel as being well-placed to interact with right-wing parties that have a high professional respect for him. Within the moderate left-wing parties, Marcel had critics in recent months, but we do not expect significant opposition once the new Administration assumes power in March, in view of the new Congress. Marcel's main opponents will be Mr. Boric's coalition parties and far-left parties who have shown an interest in more aggressive structural reforms.

**For Minister of Economy, President-elect Gabriel Boric chose Mr. Nicolás Grau (38), MA in economics from the University of Chile, and PhD in Economics from the University of Pennsylvania.** He is an assistant professor at the Department of Economics and an adjunct researcher at the Center for Studies on Conflict and Social Cohesion. His research

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areas are Applied Microeconomics, Economics of Education and Econometrics. He played a secondary role during Mr. Boric's presidential campaign, where he formally intervened only in the green economic reactivation group, but he is also credited with influencing the president-elect's initial proposal: that workers make up 50% of company boards. His expertise is in labour issues; he is in favour of reducing the working day to 40 hours, lowering company profits and a minimum wage from CLP 400,000. Grau has also had differences of opinion with peer economists in his sector as a strong opponent of Pension Funds withdrawals in the same line of Mario Marcel. Mr. Grau actively participated in the government program that was later modified by the economic teams of the centre-left candidates.

- Mr. Grau's ministry oversees issues of economic promotion and innovation, consumer protection and Chile's production development agency, CORFO. Grau has little experience in these matters, so we see him more inclined to continue with the current agenda by placing incentives towards R&D. Given that the Ministry of the Economy also has the area of consumer protection under its mandate, it is likely to reinforce that area and underscore a message of equality. There are many bills in Congress related to solvency of clients and communication/transparency to clients that may speed up under Grau's administration. The National Institute of Statistics also depends on the Ministry of Economy, where it is likely that he will accelerate the autonomy bill and try to increase the resources of that institution.

**How is the Central Bank after Mr. Marcel's departure?** Mr. Mario Marcel's stepping down from the CB opens the space for his replacement to be appointed by incumbent President, Sebastian Piñera. However, since Mr. Marcel tended to lean towards the political left, it is expected that he will be replaced by someone with a similar vision. Among the likely candidates are: Ms. Andrea Repetto, Mr. Rodrigo Valdés, Mr. Oscar Landerretche, or even some members of the Central Bank's staff. However, the decision is twofold: replace the Board member and appoint a new Governor. Ms. Rossana Costa, current member of the CB's Board, could be appointed Governor but with Boric's approval, despite the fact that it is Piñera's responsibility. The challenge ahead for the new Governor is enormous. On the one hand, continue to increase the reference rate in the coming months, where there is little disagreement, but also interact with the Constituent Assembly where there are some initiatives that directly affect the CB's mandate. Given the political bias of the Assembly, it is not entirely clear that a new Governor of the Central Bank with close ties to a right-wing party would have better communication with the Assembly. This aspect could be considered relevant in the new appointment.

**Other notable figures in the new Cabinet are Ms. Izkia Siches (Interior and Public Security) and Ms. Camila Vallejo (Government Secretariat) given their earlier confrontational styles.** The rest of the Cabinet has a relatively balanced composition where the Communist Party—as expected—has a significant presence given its important role in Mr. Boric's coalition from the beginning. Close to 30% of the Cabinet coming from moderate left-wing parties.

Table 1: Chile—Boric's Cabinet

Ministry	Name	Party	Our Preliminary View
Minister of the Interior and Public Security	Izkiá Siches	Independent (ex-Communist Party; CP)	A confrontational style displayed during the pandemic and the presidential campaign could pose challenges in her new cabinet role.
Minister of Foreign Affairs	Antonia Urrejola	Independent very close to the Socialist Party (SP)	Her entire career working for centre-left governments and recently in HR issues. She has some experience in Foreign Affairs since she has worked for multilateral institutions in the past.
Ministry of Finance	Mario Marcel	Independent close to the Socialist Party (SP)	Description above.
Government Secretariat (spokesperson)	Camila Vallejo	Communist Party (PC)	Her style has been confrontational towards the moderate left and right-wing parties. Given her new role, she will have to iron out differences, which will not be easy.
Minister of Economy, Development and Tourism	Nicolás Grau	Social Convergence (SC) part of Boric's coalition	Description above.
Minister of Social Development and Family	Jeanette Vega	Independent close to Party for Democracy	Vast experience in health issues in previous governments (President Bachelet) but little experience in poverty and indigenous issues. Former Director of the National Health Fund (Fonasa) and is critical of the current health insurance system.
Minister of National Defense	Maya Fernández	Socialist Party (SP)	Salvador Allende's granddaughter joined Boric's campaign early. Her ideas are progressive but with gradualism.
General Secretariat of the Presidency (Congressional affairs)	Giorgio Jackson	Democratic Revolution (DR)	Currently a Deputy, he is one of the closest ministers to the president, will be the head of the government's legislative agenda in Congress. He stands out for his ability to seek agreements with all political forces.
Minister of Education	Marco Antonio Ávila	Democratic Revolution (DR)	Teacher with experience in educational management, especially secondary education.
Minister of Justice and Human Rights	Marcela Ríos	Social Convergence (SC)	He was a member of the presidential advisory commissions for the Reform of the Pension System; anti-corruption; and the Reform of the Electoral System.
Minister of Labor and Social Security	Jeanette Jara	Communist Party (CP)	Former Undersecretary of Social Welfare in the Government of Ms Michelle Bachelet, she has been critical of the pension system.
Minister of Public Works	Juan Carlos García	Liberal Party (LP)	Architect and urban planner has spoken out in favour of the concession program.
Minister of Health	María Begoña Yarza	Independent close to Socialist Party (SP)	40 years in the socialist party with ideas towards strengthening the public health system.
Minister of Housing and Urban Planning	Carlos Montes	Socialist Party (SP)	He has always shown a moderate style, searched for agreements and is influential in the socialist caucus.
Minister of Agriculture	Esteban Valenzuela	Social Green Regionalist Front, part of Boric's coalition	He was campaign manager and then president (in 2014) of the Presidential Advisory Commission for Decentralization and Regional Development during the second Bachelet Government. He does not have expertise in agricultural issues.
Minister of Mining	Marcela Hernando	Radical Party (RP)	Currently a Deputy and Former Mayor (2008 and 2012). She will have a key role in the development of the lithium industry. She has been critic of the process.
Minister of Transportation and Communications	Juan Carlos Muñoz	Independent	His entire career has been dedicated to transport issues, from the public world and also from the academy. A well-received name in the industry.
Minister of National Assets	Javiera Toro	Common Party (Comunes) part of Boric's coalition	She was the coordinator for the presidential campaign of Beatriz Sánchez and a constituent candidate. In the past, she has pointed out that it is essential to end private ownership of natural resources.
Minister of Energy	Claudio Huepe	Social Convergence (SC)	Extensive experience in energy issues. It is not a surprise for the energy sector.
Minister of the Environment	Maisa Rojas	Independent	Expert in climate change and counselor of the governments of Presidents Bachelet and Piñera.
Minister of Sport	Alexandra Benado	Independent	Former soccer player with the challenge of organizing the 2023 Pan American Games.
Minister of Women and Gender Equity	Antonia Orellana	Social Convergence (SC)	Former programmatic chief of Boric's presidential campaign. Feminist leader.
Minister of Culture, Arts and Heritage	Julieta Brodsky	Social Convergence (SC)	She will probably seek to accelerate bills stuck in congress linked to cultural matters.
Minister of Science, Technology, Knowledge and Innovation	Flavio Salazar	Communist Party (CP)	Renowned academic on medical issues who worked indirectly with President Bachelet in the past.

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